

PUBLIC DISCLOSURE

June 28, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Woodlands Commercial Bank
Certificate Number 58009**

**4001 South 700 East, Suite 410
Salt Lake City, Utah 84107**

**Federal Deposit Insurance Corporation
350 Fifth Ave., Suite 1200
New York, NY 10118-0110**

NOTE: **This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Woodlands Commercial Bank (WCB), Salt Lake City, Utah**, prepared by **Federal Deposit Insurance Corporation (FDIC)**, the institution's supervisory agency, as of **June 28, 2010**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

WCB was designated by the FDIC as a *wholesale bank* for CRA purposes on April 8, 2005. A wholesale bank's CRA performance is evaluated on the level and responsiveness of its community development (CD) activities in meeting the credit and other needs of its assessment area(s) (AA). The analysis of WCB's qualified CD loans, investments, and services provided since the previous evaluation, dated August 13, 2007, depicts a satisfactory record of addressing its AA's credit and other needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE:

An analysis of WCB's qualified CD activities since the previous evaluation demonstrated an adequate responsiveness to its AA credit and other needs, as indicated below.

- CD loans, investments, and donations total \$21.8 million and represent 0.7 percent of total assets (3/31/10) and 0.4 percent of average assets over the review period.
- CD services provided by the limited number of WCB's senior management and employees total 345 hours in qualified community development activities.

SCOPE OF THE EXAMINATION:

This evaluation utilized the interagency examination procedures for wholesale or limited purpose institutions. Examiners relied upon records and reports provided by WCB, publicly available information, demographic data, and information gathered as part of the evaluation process. Evaluation factors included considering community development needs and opportunities in the AA, as well as WCB's business strategy, current financial resources and constraints, and regulatory enforcement orders. All qualified CD loans, investments, and services were analyzed for the review period beginning August 13, 2007, to the current date of the evaluation.

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

DESCRIPTION OF INSTITUTION:

WCB, a Utah-chartered industrial bank incorporated on December 21, 2004, received FDIC deposit insurance and commenced operations on August 24, 2005.

Formally known as Lehman Brothers Commercial Bank, WCB officially changed to its current name in October 2008 following the September 15, 2008, Chapter 11 bankruptcy petition of its parent company, Lehman Brothers Holding Inc (LBHI). LBHI continues to own all of WCB and its sister banking institution, Aurora Bank FSB in Wilmington, Delaware, (formally known as Lehman Brothers Bank, FSB). Due to the parent's bankruptcy petition, the FDIC and the State of Utah Department of Financial Institutions issued dual formal enforcement orders on September 14, 2008. The orders' restrictions prohibit the bank from 1) extending any credit to, or engaging in other specified transactions with, the parent company or any other affiliate; 2) paying any dividends, or any other form of payment representing a reduction in capital; and 3) increasing the level of brokered deposits to exceed the amount held by the bank as of September 14, 2008. A subsequent formal enforcement order was issued by the FDIC on February 4, 2009, requiring the bank to obtain sufficient capital to meet and maintain an "adequately capitalized" capital level for all regulatory capital measures.

Prior to LBHI's Chapter 11 bankruptcy reorganization, WCB engaged in U.S. and non-U.S dollar lending with the following four main credit product lines:

- commercial and industrial,
- commercial real estate,
- warehouse lending, and
- interest rate products.

Since September 18, 2008, WCB has not funded any new loans. WCB's current business plans do not anticipate extending any additional loans outside of some possible draws against existing commitments. The bank is actively managing its remaining portfolio of assets to a planned termination of bank operations sometime in 2011. To accomplish this in an orderly manner and continue to fund the bank's needs, WCB recently commenced offering and issuing certificates of deposit to replace expiring brokered deposits. The terms on these certificates of deposit are structured to mature prior to November 2011.

DESCRIPTION OF ASSESSMENT AREA:

WCB has designated all of Salt Lake County as its AA. Salt Lake County is the largest and most populous county within the Salt Lake City, Utah, Metropolitan Statistical Area (MSA) 41620. The MSA includes Summit and Tooele counties. The designated AA meets the technical requirements of the regulation.

Salt Lake County, Utah, Demographic Information

The AA contains the largest population concentration in Utah. As the state capital and county seat, Salt Lake City is also the largest city in the state. Table 1 shows key demographic information for Salt Lake County from the 2000 United States (U.S.) Census.

Table 1 - Salt Lake County Demographics					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	193	3	22	47	28
Population by Geography	898,387	1	23	49	27
Owner-Occupied Housing by Geography	203,690	0	17	52	31
Business by Geography	109,522	8	22	41	29
Farms by Geography	1,591	4	18	44	34
Family Distribution by Income Level	215,864	17	20	25	38
Distribution of LMI Families throughout assessment area Geographies	79,691	3	22	47	28
Median Family Income (MFI)		\$54,586	Median Housing Value		\$165,698
Housing and Urban Development (HUD) Adjusted MFI for 2009		\$67,800	3 rd Quarter 2009 Unemployment Rate		6%
Households Below Poverty Level		8%			

Source: 2000 U.S. Census, HUD updated – 2009, 2009 D&B Business Data, and Haver Analytics

Economy

According to Moody's Economy of December 2009, the recent recession is moderating in Salt Lake City. Job losses continue, but have slowed compared to the beginning of 2009. Financial services are expected to experience a steady expansion in the long-term due to low business costs and an educated workforce. The short-term will continue to experience job losses due to consolidations. Unlike the rest of the country, a major driver of job growth during recovery and expansion will be manufacturing. Existing manufacturing industries have held up well, primarily because they are focused on high-tech and medical equipment. Unemployment is not expected to reach its peak until third quarter 2010, but will remain far below the national average. Construction, professional/business services, and manufacturing will lead economic improvement in the AA.

Competitive Banking Environment

The June 30, 2009, FDIC Summary of Deposits, reported a total of 54 FDIC-insured financial institutions with offices or branches located in Salt Lake County. WCB was ranked 15th among all institutions, with over a 1 percent share of the county's approximately \$4 billion in total deposits. The many locally-operating financial institutions that are subject to the CRA actively compete for their share of CRA-qualified loans, investments, and services available in Salt Lake County.

Community Contact

Information obtained from individual community contacts conducted by examiners is also regularly used to evaluate the bank's CRA performance. A recent community contact was reviewed in connection with this evaluation. This contact is involved with a private, non-profit, CD organization in Salt Lake County. The contact indicated that local economic conditions, particularly in the financial institution sector, have been uncertain. The contact further stated that the overall banking and credit needs of the area were largely being met by the local banks. However, the contact expressed a need for more economical housing in the community. Additionally, the contact stated that there was a need for financial institutions to work creatively with community organizations in providing affordable financing and management support to entrepreneurs who are unable to access traditional sources of financing, particularly those who are socially and/or economically disadvantaged.

The individual was unaware of any discriminatory practices by any of the local banking institutions against any protected classes or minority groups, or aware of any specific complaints against any financial institution.

SUMMARY OF INSTITUTION'S OPERATIONS:

WCB operates with a small on-site staff from a single office in a middle-income census tract in Salt Lake City, Utah. No traditional walk-in or drive-up retail banking activities are offered to the public. The bank's traditional business strategy involved offering or participating in large domestic and international commercial loans. As previously mentioned, the bank ceased funding new loans as of September 18, 2008.

WCB's balance sheet had been primarily funded with Master Certificates (brokered deposits). As these brokered deposits now mature, the bank is meeting its ongoing funding needs with institutional and retail certificates of deposit that are offered via the internet through Quickrate.com and Bankrate.com. Yield quotes promoted at these internet sites allow potential customers to elect to be redirected to the bank's website at www.WoodlandsCB.com where they can open up certificates of deposit on-line in amounts of \$2,500 or more. No other traditional retail activities or services are offered by the bank.

DISCUSSION OF PERFORMANCE TESTS:

WCB's CRA performance demonstrates an adequate responsiveness to CD needs in the AA through CD loans, investments, and services, considering the bank's capacity, available opportunities, and community needs. Qualified activities provided by the institution assist in addressing many community needs, including affordable housing, small loans, financial education, small business consultation, Individual Development Account assistance, and revitalization and stabilization of low- and moderate-income geographies and designated redevelopment areas.

CD Loans

Due to WCB's current constraints, no qualified CD loan has been funded by the bank since the previous evaluation. However, WCB's Board recently approved a \$1 million commitment for a revolving line of credit to a neighborhood housing services organization to support its general operating needs. The non-profit entity serves neighborhoods in decline with programs promoting home ownership and preservation, community-based economic development, community building and organizing, asset and property management, and real estate development.

CD Investments and Grants

WCB purchased 16 affordable housing investments and provided 30 grants to 23 qualified organizations since the prior CRA evaluation. Qualified investments and donations, including those investments still on the books since the prior evaluation, total almost \$22 million. This level of performance equates to 0.7 percent of total assets (as of March 31, 2010) and 0.4 percent of average assets for the review period (average assets for the past 11 quarters from the August 13, 2007, evaluation through March 31, 2010, or \$5 billion). Based on the bank's resources,

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business strategies, and the opportunities that are available in the AA for qualified investments, this level of performance demonstrates adequate responsiveness to the credit and other needs of the AA.

Table 2 summarizes the dollar volume of total qualified investments and grants during the year of the initial investment or grant.

Table 2 - Qualified CD Investments and Grants					
Type	After August 13, 2007 \$ (000s)	2008 \$ (000s)	2009 \$ (000s)	2010 \$ (000s)	TOTAL \$ (000s)
Affordable Housing Investments	4,190	0	0	14,981	19,171
Balance of 7 Affordable Housing Investments carried over from previous periods (balances as of 6/28/10)	0	0	0	2,264	2,264
Grants & Donations	152	167	0	30	349
Total Investments & Donations	4,342	167	0	17,275	21,784

Source: Bank records

The following examples highlight some of WCB's qualified investments and grants:

- WCB purchased \$4,190,000 in qualified Utah Housing Bonds during the last quarter of 2007 and another \$4,085,000 during May of 2010. The underlying mortgages support individuals/families needing affordable housing within the AA and the state of Utah.
- WCB purchased \$8,348,010 and \$2,548,188 in qualified mortgage backed securities during May and June of 2010, respectively. A total of 41 underlying mortgages are located in the bank's AA with the remaining 32 underlying mortgages located in the larger statewide area. All underlying mortgages were originated to low- and moderate-income borrowers.
- WCB's grants provided significant financial support for many organizations and agencies providing numerous worthy CD initiatives. The following list highlights a few of these initiatives benefitting low- and moderate-income individuals and families:
 - Matching funds in savings accounts to allow individuals to save for a down payment on a house, tuition assistance, or to start a business.

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- Various affordable housing projects, programs, and home ownership counseling.
- Shelter and medical treatment for the homeless.
- Startup support for very small companies.
- Financial self-sufficiency and literacy programs.
- Employment counseling.
- Transportation, services, programs, care, and jobs for persons with physical or mental disabilities.

CD Services

A high percentage of WCB's limited number of officers and employees provided financial service leadership for a various non-profit CD organizations by serving on boards or committees and/or by providing financial expertise. The benefited organizations are involved in the provision of affordable housing, credit counseling, savings programs, and other social services to low- and moderate-income families and individuals, and non-traditional small business financing, among others. All activities benefited the AA or larger regional area that includes the AA.

Table 3 details WCB's hours of service involvement over the CRA evaluation period, depicting responsiveness to the needs in the AA. Since the bank's previous evaluation, 345 hours were spent in qualified service activities.

Table 3: Qualified CD Service Hours by Year					
Qualifying Services	After August 13, 2007	2008	2009	YTD 2010	Total
Total Service Hours	100	145	60	40	345

Source: Bank records

APPENDIX A

SCOPE OF EXAMINATION

SCOPE OF EXAMINATION	
TIME PERIOD REVIEWED	August 13, 2007 through June 28, 2010
FINANCIAL INSTITUTION Woodlands Commercial Bank Salt Lake City, UT	PRODUCTS REVIEWED Community Development Loans Community Development Investments Community Development Services

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
UTAH Salt Lake County (Part of the Salt Lake City, Utah MSA # 41620)	Full-Scope, On-Site, Wholesale Bank	N/A	None